

Despite volatility some managers are identifying the right opportunities

Plus, Canada's commercial real estate market remains relatively stable amid the uncertainty

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Published September 24, 2025

Over the past few months, investors have faced significant market volatility, largely driven by U.S. tariff policies. These conditions are far from ideal for large investors, such as pension funds, who may find it challenging to identify strong investment opportunities in the current environment.

"Obviously, investors are dealing with volatility right now. But if you're managing a large fund such as a pension fund you must think about how to manage through volatility," says Michael Beaupré, Managing Director of client relations at Institutional Mortgage Capital (IMC) in Toronto.

Six months after U.S. President Donald Trump's April 4 announcement of sweeping tariffs, global markets are still grappling with the full implications of these measures—particularly in determining which sectors and regions will emerge as winners or losers. While most asset classes have delivered solid performance since then, it is worth recalling the immediate market reaction in April 2025, when the CBOE Volatility Index (VIX) spiked to levels last seen during the 2008 financial crisis and the 2020 COVID-19 pandemic. Within days of the tariffs taking effect, Nicholas Colas, co-founder of market analysis firm DataTrek, described the situation as "a crisis in investor confidence similar to wars and major disruptions to the global economy." That sense of uncertainty continues to linger, prompting investors to seek portfolio strategies that maximize the benefits of diversification.

The volatility will likely persist over the short- and near-term future, unless there are major changes in international tariff negotiations or new developments in the Trump administration's tariff policies.

"Pension fund managers and other large-scale investors such as family offices need to think over the longer term"

Michael Beaupré

"It's a time for strategies that can add value to portfolios to offset the volatility that's likely going to persist in the equity markets for a while. One area for fund managers to consider is private real estate credit," he says.



Michael Beaupré, Managing Director of client relations at Institutional Mortgage Capital (IMC)

Private credit refers to non-bank lending tailored to a borrower's specific needs. In exchange for lower liquidity, lenders can benefit from higher yields.

"Private credit has been one of the fastest-growing segments of the financial system over the past 15 years," a [report released last fall by McKinsey & Company](#) said. It suggests that an additional US\$5 trillion to \$6 trillion in infrastructure and real estate lending could shift to the non-bank private lending

ecosystem over the next decade in the United States alone.

"The impact of American tariffs has become the story of 2025, far surpassing last year's concerns over inflation and interest rates. Tariffs seem likely to have an outsized impact on industrial leasing, as the most impacted areas, such as resources, automotive, and agriculture, are much more prominent users of warehouses than office space," Colliers said in its [Market Snapshot for Q2 2025](#), released April 1.

At the same time, the Canadian commercial real estate market still appears to be on sound footing, Colliers says. "The national vacancy rate has shown stability two quarters in a row. Seventy-five per cent of Colliers' tracked market vacancies either remained level or decreased from Q4 2024," the report added.

[Canada's](#) commercial real estate market remains relatively stable even amid global economic turbulence. "Overall lender sentiment has improved for real estate and lenders are gearing up for a much more active 2025," [CBRE's Canadian Real Estate Lenders Report 2025](#) said, based on a survey of 37 domestic and foreign lenders conducted at the beginning of this year.

Large-scale investors and lenders should also note that governments are poised to encourage more real estate development, which will require private sector input, the Colliers report notes. Proposals by all political parties include "financing, incentives for domestic investment and tax changes surrounding real estate transactions. We are expecting some significant policy changes over the next year," Colliers says.

The Canadian dollar hovering persistently weak, around US 70 cents, also makes Canadian real estate debt attractive, adds Beaupré.

Robert Fitzpatrick, IMC's Senior Managing Director, says, "With private credit real estate loans, you're exposed to credit risk but not equity risk—which can be an advantage given how volatile equities are right now."



Robert Fitzpatrick, Institutional Mortgage Capital (IMC), Senior Managing Director

"At the same time, a private credit commercial real estate debt investment is providing monthly or quarterly cash flow [through repayments] and distributions, so you are getting cash returns" he adds. "Additionally, we are seeing opportunities to do short term secured loans returning over 10% for our investors at acceptable loan to values and strong guarantees.

Private credit real estate provides investors with the ability to lend against tangible assets, typically supported by additional structural protections such as guarantees, covenants, and collateral. This strategy offers the potential for stable, contractually driven monthly income, with risk-adjusted returns that can be competitive with equity investments.

Managers need to identify the right opportunities, though, adds Fitzpatrick.

"You want a manager who is nimble and flexible and who can act fast," he adds.

"There's a lot of opportunity for those who have lots of experience and are able to manage risk," Beaupré adds.

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